

State of Alaska
Local Boundary Commission
550 W. 7th Avenue Suite 1790
Anchorage, Alaska 99501

January 31, 2003

Dear Commissioners:

I am writing you to express my concerns on the proposed formation of a Prince of Wales Island Borough.

State law provides certain guidelines in order for an area to become a Borough. Your Chapter 3 indicates that our proposed model Borough meets these standards. I disagree for all of the following reasons.

First of all, the statistics you use are very much outdated and inaccurate pertaining to our economy, population, unemployment levels, household income levels and real and true property taxable levels. I will address each of these in this letter of objection.

Prior to Governor Murkowski's statement to the paper on Ward Cove Cannery's closing where he describes the Ketchikan and outlying areas as an economic disaster, we were already realizing an economic disaster because of logging and construction cut backs, mill closures, timber related corporations filing bankruptcy and South Coast Construction Company, a major construction company, filing bankruptcy. Governor Murkowski also stated that he is going to work on having a million-acre State timber forest. According to the Forest Service there is no enough remaining timber selections on Prince of Wales Island and that is why they selected three community's watersheds to log in the Chomondeley Environmental Impact Study. This selection will have to be within the Admiralty, Baranof and Chichagof Islands.

Prince of Wales had a Ward Cove fish processing plant in Craig, which closed and took with it hundreds of jobs. These job losses will not show up in any statistics until summer. The same with the construction jobs lost with South Coast that amount to about 400 jobs.

According to the Labor Department, the 12.70% unemployment rate you state is inaccurate and does not depict what is actual because of the recent 200 people drop in one years population. They explain that with the drop in population and because the people leaving left to find jobs. The true unemployment rate is much higher and not shown in the database. In the past seven years or more, the months of December, January and February show unemployment in the high teen to low twenties. Here are some examples;

January 1990	17%
January 2001	20.4%
January 2002	16.8%
January 2003	10.8%

The January 2003 is out of the norm because of the population drop. In addition, you say that there are 2660 employees on our island. Here is the breakdown;

2660 total employed
1024 are transient and non-island residents
933 are State and local government employed

The Forest Service employs 91 permanent year round employees. 30 of these are in Craig, 50 are in Thome Bay and 11 others are in other areas. 56% of these are housed in government billets. There are 48 seasonal employees of which 99% are housed in government billets. None of these will pay property taxes. The Congress just signed legislation reducing the Forest Service budget by 30%. Because of this and because of the amount of work they need to do, this reduction will be done for the permanent employment area. This will also cause a drop in our population. The logging companies are targeting sales in the Admiralty, Baranof and Chichagof Islands and this

will further decline our population, as the major employment on island is timber related and will go with the companies. With the logging industry concentrating on islands further north we will see a decline in forest receipts.

You state that Prince of Wales has a coastal dive fishery. These figures should not be used, as it is very transient. A major portion of these boat and water based processors travel from outside Prince of Wales to fish, bringing with them their own crew, fuel, groceries and other related support items. They also are re-supplied by packers who re-supply in Ketchikan when and where they transport the fish product back to be processed. Because there are no major fish processing plants on the island there can be no raw fish tax. These transient people will not pay either property or sales tax.

Both the fishing and logging industry is considered transient. The logging industry brings in their employees from outside the workforce of Prince of Wales Island. They also re-supply their kitchen supplies, fuels and other items from Ketchikan. Their employees can use the company commissaries for getting any of their incidentals along with boots and rain gear from the commissary. Because of this and their salaries leaving the island they would not in the least contribute to either sales tax or property tax. This is considered one of the major job suppliers. The rest of the workforce is either part time and seasonal. Most leave after the season ends and return only if and when it re-opens. I say this because of Ward Cove Cannery not re-opening. With 1000 transient workers leaving for winter taking the money with them, this will not be available from sales tax.

For the most part, you have people remaining through the fall and winter on unemployment and subsistence. You mention that all Prince of Wales communities have common inter-related and integrated lifestyles. The only common thread is the gathering of subsistence products and lack of jobs. The reason for this is the lack of income and is as necessary as being employed in order to survive. This would be like saying that we have another common activity we share throughout the Island and that is breathing.

You mention that Prince of Wales Island is the 3rd largest island in the United States with 1500 miles of logging roads. All of the logging roads are not maintained and are in very bad shape. Most of them are closed and impassable. Because of this there is no simple transportation. During the year, our area has prolonged stretches of bad weather making it impossible to travel no matter what your needs, even in emergencies. This travel by boat or air is not simple. Sure, each community has boat and airplane docks but because of weather, it is impossible to travel. Planes don't fly in 35 M.P.H. and winds above that. Snow is also a factor to consider for the road system. The island does not have an adequate airline based in the proposed borough. Cities within the proposed borough can communicate with each other, but communication for the rest of the island is difficult and not easy.

State law states that for people 65 years and older the first \$150,000.00 of their taxable assessment shall be exempt from property tax. You say that the average value of homes on Prince of Wales is \$54,278.00 and is only 56% accurate. With this and the amount of property that is exempt because of restricted deeds, government owned and elder owned, property taxation is neither fair nor equitable. With the baby boomer generation reaching 60 and 65 years of age, a large amount of the population will not be paying property or sales tax. The cities of Craig, Klawock and Thome Bay exempt age 60 and older from paying sales tax. They also exempt people who come to them from outside their communities from paying sales taxes so transient people whether employed or not are exempt.

In the four major communities on the island, there are trust lands and allotted lands that can not be taxed. How many incomes are counted in the various surveys that own land that is not taxable. This adds to the fair and equitable problem in creating this proposed borough.

The Regional and Village Indian Corporations own property that is non-taxable unless they are in the process of logging or have improved the property. 95% of these lands have already been logged and will not be ready to be logged for at least 100 years. Also these lands will not be improved for many years because all of the corporations are suffering financially. These corporations, next to the Federal Government, are the major landowners on the island.

Since 1990 approximately 600 people moved off the island. That amounts to an 11% drop in population. Last year 200 left which amounts to a 4 or 5% drop and it is estimated that population drops will be another 20% in the near future because of the logging jobs going north and the fish processing jobs being eliminated, not to mention the upcoming 30% cut in Forest Service jobs which will take an additional amount of Forest service support jobs also.

According to a recent 2002 Economic Trend Cost of Living study the average annual household earnings for Prince of Wales Island is \$20,508.00. This is well below the \$32,000.00 poverty level. Your own records show that 39% of the adults are not working and have an average income of about \$18,359.00 which adds credence to the study.

Because of the unstable population and because of the unusual high level of poverty together with the untaxable population of the island and because of the low average per capita property values, our economy can not support a Borough at this time. It is not in the best interest of the State or any other Government at this time. It certainly is not in the best interest of the already poverty stricken people. There is no stable permanent tax base at this time or the foreseeable future. Both the timber and fishing industries are realizing a very, very low slump with no sight in the near future for recovery.

Sincerely,

Russell Jernan
P.O. Box KXA
Kasaan, AK. 99850